

SECRET SENSITIVE

25X1

**CIA/SOVA
4 February 1982****Comments on NSC Meeting -- Poland Memorandum**

1. Our comments on the proposed options with respect to additional sanctions against the USSR are detailed below. First, a few general comments. As recognized in the paper, it is extremely unlikely that stiffer sanctions, whether imposed by the US alone or in conjunction with some or all of the Allies, can deter the USSR from proceeding to suppress any threat to centralized authoritarian rule in Poland. The Soviet Union believes vital security interests are at stake. These include not only the maintenance of Soviet military lines of communication and the Soviet position in Germany, but preventing the emergence of a political model which could pose a potential threat to the stability of the Soviet system itself. Moscow's conceptions of its interest in this regard are not likely to be altered, barring fundamental changes in the Soviet system itself.

25X1

2. Moscow's most likely response to a stiffening of sanctions will be an attempt to draw political profit from the situation by widening the differences between the US and its European allies which are likely to emerge. The Soviets can be expected to accept cosmetic changes which could be presented as "concessions" to a European audience, to press the argument that sanctions will force the Polish regime to take harsher measures to protect itself, and to do any thing else in their power to

SECRET SENSITIVENSC review
completed.

SECRET SENSITIVE

convince the Europeans that sanctions are not only ineffective but harmful to European interests. Moscow's efforts will be directed toward ensuring that the political price which the West will pay in terms of inter-alliance strains and internal political dissent will exceed the economic and political cost to itself of sanctions. 25X1

3. Specific comments on the proposed options are as follows:

Option 1. Continue with our current efforts to gain Allied agreement to take specific actions against the USSR, while for the present holding in abeyance new unilateral US steps. This would only maintain the status quo on sanctions. There would thus be no additional economic impact.

Option 2. Further intermediate means against the USSR. They include embargoing industrial exports to the Soviet Union and/or military non-strategic imports, discouraging tourism, reducing even further the Soviet commercial representation in the US, suspending bilateral exchange agreements, and continuing the freeze on further grain talks. In the main these proposals fall in the politically symbolic category and if imposed would carry little if any real economic cost. Discouraging tourism, for example, would deny the USSR only a small amount of hard currency. Such receipts are now only about \$200 million from all countries. The US share in the total is minor, probably well less than \$25 million. The one exception is perhaps the proposed ban on exports of

SECRET SENSITIVE

SECRET SENSITIVE

fertilizer. (The impact of this action is addressed in Option 4.)

Option 3. A ban on all exports to the USSR not covered by existing contracts either covering all items or exempting agricultural trade. This proposal would not be especially costly to the USSR in large part because existing contracts would continue to be honored. The effect would fall on sales of agricultural products US firms would have to forego. The USSR has already contracted for 11 million of the 18 million tons of grain we have been expecting to the USSR to purchase in the current Long Term Agreement year ending 30 September. The seven million tons the USSR would be denied if this option were adopted would probably be picked up entirely by non-US exporters.

On the non-agricultural trade front, US-USSR trade is small. Moscow increasingly has looked upon the US as a residual supplier of industrial and intermediate commodities. The few areas where the US is a unique non-agricultural supplier of any consequence is in the energy equipment field which is already subject to control.

Option 4. Total export embargo against the Soviets. This proposal fall squarely on the grain account. ~~A US embargo might deny the Soviet Union 7 million tons of the 18 million tons we have been expecting the USSR to purchase this LTA.~~ the 6 million tons already under contract but not yet shipped were denied, the USSR would face an initial grain import shortfall of about 13 million tons. A portion of the denied

SECRET SENSITIVE

ILLEGIB

SECRET SENSITIVE

US supplies would undoubtedly be made up from non-US suppliers. We believe the USSR would be able to ^{replace all but 6} ~~replace 8-9~~ of the 13 million tons of grain million tons denied the USSR.

US sales of superphosphoric acid (SPA) would also probably fall under a denial program proposed by this option. Under the terms of a contract concluded in 1973 with Occidental Petroleum, the USSR agreed to import one million tons of SPA in exchange for Soviet exports of urea, ammonia, and potash. The SPA, if applied all to grain production, is equal to about 4-5 million tons of grain output. The effective denial, however, could be only 2-3 million tons if as in 1980 the Soviets were able to line up alternate non-US suppliers.

Option 5. Actions to hit the Soviets in other regions. It is not clear what the Administration has in mind.



25X1

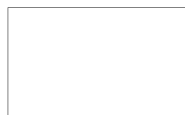
SECRET SENSITIVE

MEMORANDUM FOR:

DCI

I

These are comments from
DDI/Soviet analysts on NSC
paper on Poland.



25X1

Date 4 Feb 82

FORM 5-75 101 USE PREVIOUS EDITIONS

GPO : 1981 O - 345-783

SECRET SENSITIVE

25X1

**CIA/SOVA
4 February 1982**Comments on NSC Meeting -- Poland Memorandum

1. Our comments on the proposed options with respect to additional sanctions against the USSR are detailed below. First, a few general comments. As recognized in the paper, it is extremely unlikely that stiffer sanctions, whether imposed by the US alone or in conjunction with some or all of the Allies, can deter the USSR from proceeding to suppress any threat to centralized authoritarian rule in Poland. The Soviet Union believes vital security interests are at stake. These include not only the maintenance of Soviet military lines of communication and the Soviet position in Germany, but preventing the emergence of a political model which could pose a potential threat to the stability of the Soviet system itself. Moscow's conceptions of its interest in this regard are not likely to be altered, barring fundamental changes in the Soviet system itself. [REDACTED]

25X1

2. Moscow's most likely response to a stiffening of sanctions will be an attempt to draw political profit from the situation by widening the differences between the US and its European allies which are likely to emerge. The Soviets can be expected to accept cosmetic changes which could be presented as "concessions" to a European audience, to press the argument that sanctions will force the Polish regime to take harsher measures to protect itself, and to do any thing else in their power to

SECRET SENSITIVE

SECRET SENSITIVE

convince the Europeans that sanctions are not only ineffective but harmful to European interests. Moscow's efforts will be directed toward ensuring that the political price which the West will pay in terms of inter-alliance strains and internal political dissent will exceed the economic and political cost to itself of sanctions. 25X1

3. Specific comments on the proposed options are as follows:

Option 1. Continue with our current efforts to gain Allied agreement to take specific actions against the USSR, while for the present holding in abeyance new unilateral US steps. This would only maintain the status quo on sanctions. There would thus be no additional economic impact.

Option 2. Further intermediate means against the USSR. They include embargoing industrial exports to the Soviet Union and/or military non-strategic imports, discouraging tourism, reducing even further the Soviet commercial representation in the US, suspending bilateral exchange agreements, and continuing the freeze on further grain talks. In the main these proposals fall in the politically symbolic category and if imposed would carry little if any real economic cost. Discouraging tourism, for example, would deny the USSR only a small amount of hard currency. Such receipts are now only about \$200 million from all countries. The US share in the total is minor, probably well less than \$25 million. The one exception is perhaps the proposed ban on exports of

SECRET SENSITIVE

SECRET SENSITIVE

US supplies would undoubtedly be made up from non-US suppliers. We believe the USSR would be able to ^{replace all but 6} ~~replace 8-9~~ ^{of the 13 million tons of grain} million tons denied the USSR.

US sales of superphosphoric acid (SPA) would also probably fall under a denial program proposed by this option. Under the terms of a contract concluded in 1973 with Occidental Petroleum, the USSR agreed to import one million tons of SPA in exchange for Soviet exports of urea, ammonia, and potash. The SPA, if applied all to grain production, is equal to about 4-5 million tons of grain output. The effective denial, however, could be only 2-3 million tons if as in 1980 the Soviets were able to line up alternate non-US suppliers.

Option 5. Actions to hit the Soviets in other regions. It is not clear what the Administration has in mind.

(SECRET/SENSITIVE)

SECRET SENSITIVE

SECRET SENSITIVE

fertilizer. (The impact of this action is addressed in Option 4.)

Option 3. A ban on all exports to the USSR not covered by existing contracts either covering all items or exempting agricultural trade. This proposal would not be especially costly to the USSR in large part because existing contracts would continue to be honored. The effect would fall on sales of agricultural products US firms would have to forego. The USSR has already contracted for 11 million of the 18 million tons of grain we have been expecting to the USSR to purchase in the current Long Term Agreement year ending 30 September. The seven million tons the USSR would be denied if this option were adopted would probably be picked up entirely by non-US exporters.

On the non-agricultural trade front, US-USSR trade is small. Moscow increasingly has looked upon the US as a residual supplier of industrial and intermediate commodities. The few areas where the US is a unique non-agricultural supplier of any consequence is in the energy equipment field which is already subject to control.

Option 4. Total export embargo against the Soviets. This proposal fall squarely on the grain account. ~~A US embargo might deny the Soviet Union 7 million tons of the 18 million tons we have been expecting the USSR to purchase this year~~ the 6 million tons already under contract but not yet shipped were denied, the USSR would face an initial grain import shortfall of about 13 million tons. A portion of the denied

SECRET SENSITIVE ILLEGIB